



Summary of the September 17, 2014 Board of Directors Meeting

The following individuals were present at the meeting:

Directors and Alternates, Acting as Directors:

- John Kerry, Secretary of State (Chair);
- Sarah Bloom Raskin, Deputy Secretary of the Treasury (attending for Secretary of the Treasury) (Vice Chair);
- Eric Postel, Assistant Administrator for Bureau of Economic Growth, Education and Environment, U.S. Agency for International Development (USAID)(attending for Dr. Rajiv Shah, Administrator);
- Behnaz Kibria, Deputy Chief of Staff (attending for Michael Froman, United States Trade Representative (USTR));
- Dana Hyde, Chief Executive Officer, MCC;
- Lorne Craner, Private Sector Board Member;
- Susan McCue, Private Sector Board Member
- Adna Karamah-Oates, Plus One (attending for Morton Halperin, Private Sector Board Member); and
- Chris Tuttle, Plus One (attending for Mark Green, Private Sector Board Member)

Invited Guests:

- Gayle Smith, Special Assistant to the President and Senior Director, National Security Council (NSC), and
- Robert Fairweather, Office of Management and Budget (OMB).

Other Participants:

1. Lisa Kubiske (State+1)
2. Alexia Latortue (Treasury+1)
3. Mary Ryckman (USTR+1)
4. Parita Shah (MCC+1)
5. Monica Kladakis (Mr. Craner+1)
6. Paula Tufro (NSC +1)
7. Cristina Killingsworth (OMB +1)
8. Roland DeMarcellus (State)
9. Daniella Ballou-Aares (State)

10. Todd Kushner (State)
11. Etienne LeBailly (State)
12. John Hurley (Treasury)
13. Adrienne Harris (Treasury)
14. Rachel Fredman (Treasury)
15. Luke Ney (USAID)
16. William Cole (OMB)
17. Catherine Trujillo (USAID/OIG)
18. Kamran Khan (MCC)
19. Thomas G. Hohenthanner (MCC)
20. Paul Weinberger (MCC)
21. Antonio Guzman (MCC)
22. Cassandra Butts (MCC)
23. Tom Kelly (MCC)
24. Jonathan Nash (MCC)
25. Jonathan Bloom (MCC)
26. Matthew Bohn (MCC)
27. Cindy Huang (MCC)
28. John Mantini (MCC)
29. Jim Mazzearella (MCC)
30. Jim Blades (MCC)
31. Laura Leussing (MCC)
32. Alicia Phillips Mandaville (MCC)
33. Chris Maloney (MCC)
34. Sandra Ospina (MCC)
35. Brian Finkelstein (MCC)
36. Autumn Lynch (MCC)
37. Cherita Nichols (MCC)
38. Pamela Woodard (MCC)

1. The meeting was called to order at 10:08 a.m. and the Board approved the minutes from the June 18, 2014 Board meeting.
2. *CEO Update.* Ms. Hyde expressed appreciation for input of the Board and MCC staff in producing the revised Selection Criteria and Methodology Report now before the Board for consideration.

She then turned to MCC's concern over effects of the West Africa Ebola crisis, noting its economic impact and delays in compact development timelines and agency efforts to determine how best MCC may support post-crisis economic recovery within the context of compact development.

The Board received reports on closing the Burkina Faso and Namibia compacts. The \$480 million Burkina Faso compact, focused on property rights, agriculture production and rural roads to open markets, closed on time and on budget in July. Leadership provided by the country director was credited. The Namibia compact, focused in education, livestock management and tourism, closed earlier in September, 2014. Revenues in the tourism sector have increased twenty-seven percent

with an influx of private investment, including forty-three new North American tourist businesses operating in the area.

The departures of Vice President for Policy, Sheila Herrling, and Vice President for Administration and Finance, Chantale Wong, were noted with expressions of appreciation for their service.

3. *Regional Investment Approaches.* The Board began a conversation on the potential for MCC engagement in regional investments. Ms. Hyde opened the conversation with observation of the powerful platform available in MCC's operational model on which to build in meeting the challenge of poverty as it has evolved in a number of global trends such as climate change, urbanization, the youth bulge and influx of private capital. Options identified for further consideration include: (1) regional partnerships; (2) sub-national or urban partnerships, (3) possible expansion of a candidate pool; and (4) alternative investment vehicles to leverage private sector funds. A deep dive on regional development potential is being undertaken first as it developed in the context of AGOA and research that has already been undertaken. The fact that successful regional investments would likely require new statutory authorities for the Corporation was also discussed.

Mr. Khan identified elements of the MCC operational model that support regional investment to include MCC's: (1) support of establishment of good investment climate in partner countries, moving toward establishment of operational partnerships with the private sector; (2) strong track record and internal expertise in large infrastructure projects; (3) ability to be selective in partner countries and programs, enabling concentration of grant resources and the raising of private capital to support such projects; and (4) reputation as an honest but tough broker with the ability to negotiate and, if necessary, walk away from a particular project. MCC's credibility built through ten years' work and the momentum growing through legislation and the Africa Leaders Summit further support achievability and desirability of regional development work.

Ms. Hyde offered as key considerations for regional engagement lessons learned from the first decade of MCC's work, evolution in economic growth and development research, and examination of MCC's core competencies to identify where the model can serve as a force multiplier to uniquely add value and avoid U.S. Government duplication.

Mr. Khan then raised three organizational principles involved with MCC's proposed approach to regional investments: (1) private sector interests in investment will be a key driver for programs in which MCC will invest; (2) engagements will be through partnerships with the private sector and with U.S. Government agencies, multilaterals and other development partners; and (3) regional investments will be considered sequentially, but overall regional plans will be as complete as can reasonably be expected before MCC invests to protect against risks of disjointed investments that would have been better approached on a regional scale. Effective selection will be critical, requiring focus on private sector interest, financial viability, and clear commitment to timely accomplishment of MCC specified conditions precedent to investment.

Ms. Hyde added that regional projects involving countries that do not pass the scorecard would

require co-investment partnership with others such as the World Bank, another USG donor and/or the private sector.

Secretary Kerry stated his predisposition toward the approach, noting the likelihood of magnified outcomes, but cautioned careful consideration of the complicated nature of the process, possible duplication with other aid programs, potentially significant opportunity costs, hidden hurdles and the need for stability factors in measurement criteria to eliminate the ability of one country to interfere with others engaged in regional projects. He stated that “MCC has to be the gold standard of development and [has] to be able to emphasize the passing the scorecards, maintaining [its] credibility in Congress and creating the incentive for good performance. That is what distinguishes [MCC].”

Deputy Secretary Raskin likewise recognized great potential in the regional investment approach but questioned what coordination mechanism would be used among countries in execution of the approach. Ms. Smith and Ms. Kubiske also expressed concern about coordination. Mr. Postel noted the need to avoid duplication but stated USAID recognition of the benefits of regional work, using hard infrastructure as an example. Ms. Kibria also expressed USTR recognition of the importance of regional integration. MCC was offered the support of USAID and USTR in working through the operational issues.

The Board will be updated on further developments prior to their December 2014 meeting.

4. *Executive Session; Selection Criteria and Methodology Report.* The Board voted to approve the FY 2015 Selection Criteria and Methodology Report which was revised from the prior year to provide greater detail regarding the legislatively mandated factors the Board is required to consider in selecting countries for assistance, and in application of those factors to the Board’s selection decisions. The revisions increased the degree of transparency in the areas of (1) higher standards around successful completion of first compact, improved scorecard policy performance and commitment to further deep sectorial reform used in selections for subsequent compacts; and (2) how the Board balances data with other sources of information, reiterating primacy of the scorecards but also discussing the range of supporting information, such as consultations with civil society and USG agencies, to inform its understanding of the data.

Board members expressed appreciation for the extensive discussion and work that went into the revisions. Mr. Postel and Mr. Tuttle referred to suggestions made by Ambassador Green for additional clarity suggested around the nature of second compacts, welcoming the chance for further discussions in other settings concerning country capacity and implementation of second compacts. Ms. Karamchic-Oates stated that Dr. Halperin would also like to have the factors set out in the report taken into consideration as regional partnerships are contemplated.

The meeting adjourned at 11:22 a.m.